

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 EB-08 OES-07 COME-00 DOE-11
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S E C R E T SECTION 1 OF 2 DOHA 320

E.O. 11652: GDS
TAGS: ENRG, QA
SUBJECT: HOLCAR OIL CONCESSION IN QATAR

REF: DOHA 311

1. SUMMARY: HOLCAR OIL COMPANY PARTNERS MESSRS. EUGENE HOLLEY AND ROY J. CARVER HAD HOUR LONG MEETING WITH GOQ MINISTER OF FINANCE AND PETROLEUM, SHAYKH ABDUL AZIZ BIN KHALIFA AL-THANI, AND DIRECTOR OF PETROLEUM AFFAIRS, ABDULLAH SALLAT, MORNING OF 7 MARCH. ALSO PRESENT AT THE REQUEST OF HOLLEY AND CARVER, WERE MR. T.A.TA. LODHI REPRESENTING THE ATTOCK OIL COMPANY OF RAWALPINDI, PAKISTAN, HOLCAR OIL COMPANY LEGAL COUNSEL, AMBASSADOR KILLGORE AND EMBASSY ECON COMMERCIAL OFFICER WUKITSCH. DURING THE MEETING, AFTER BRIEF INTRODUCTIONS BY AMBASSADOR, HOLLEY, CARVER AND THEIR ATTORNEY PRESENTED HOLCAR CASE FOR EXTENSION OF THEIR CONCESSIONARY AGREEMENT. EXCEPT FOR REQUESTS FOR CLARIFICATION ON SOME POINTS, AMBASSADOR AND COMMERCIAL OFFICER TOOK NO PART IN DISCUSSIONS. AFTER THIS MEETING, HOLCAR PARTNERS LODHI AND COUNSEL MET WITH AMBASSADOR AND ECON COMMERCIAL OFFICER. END SUMMARY.

2. HOLLEY, CARVER AND THEIR COUNSEL DURING MEETING WITH MINISTER AND DIRECTOR OF PETROLEUM AFFAIRS CONCEDED THAT THEIR FIRM HAD
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FAILED TO PERFORM ALL THE CONDITIONS OF THEIR CONCESSIONARY AGREEMENT WITH THE GOQ IN THAT THEY HAD NOT COMPLETED THE REQUIRED WORK PROGRAM (REWORKING THREE EXISTING WELLS AND FURTHER EXPLORATORY DRILLING). THEY MADE THE POINT THAT HOLCAR OIL HAD MADE A GOOD FAITH EFFORT TO PERFORM AND SAID THAT THEY HAD INDEPENDENTLY AUDITED ACCOUNTS TO PROVE THAT THEY HAD EXPENDED 14 MILLION DOLLARS (PLUS AN ADDITIONAL \$3 MILLION IN INTEREST)

IN THEIR ATTEMPT TO COMPLETE WORK PROGRAM WHEREAS THEIR CONCESSIONARY AGREEMENT REQUIRED EXPENDITURE OF SIX MILLION DOLLARS. HOLLEY AND CARVER HELD THAT THEIR WORK IN THE CONCESSION AREA HAD INCREASED THE VALUE OF THE CONCESSION AND THEREFORE HAD GIVEN THEM EQUITY IN THE AREA.

3. THE MINISTER AND HIS DIRECTOR OF PETROLEUM AFFAIRS CONCEDED THAT MONEY HAD BEEN SPENT BY HOLCAR IN THEIR EFFORTS BUT WOULD NOT CONCEDE THAT THESE EFFORTS HAD INCREASED THE VALUE OF THE CONCESSION NOR THAT HOLCAR HAD ACQUIRED EQUITY. DIRECTOR SALLAT MAINTAINED THAT HOLCAR HAD BEEN GIVEN AMPLE AND EARLY WARNING ABOUT PERFORMANCE DEFICIENCIES AND THAT MINISTRY HAD DONE EVERYTHING POSSIBLE TO GIVE HOLCAR ADEQUATE OPPORTUNITY TO PERFORM TO THE EXTENT OF GIVING TECHNICAL ADVICE AND ASSISTANCE WELL BEYOND CONTRACTUAL REQUIREMENTS. SHAYKH ABDUL AZIZ SAID THAT THE ONLY WAY IN WHICH HOLCAR COULD MAINTAIN ITS CONCESSION WAS BY DEPOSITING \$100 MILLION IN QATAR NATIONAL BANK FROM WHICH EXPENSES COULD BE DRAWN OR BY GETTING THE UNITED STATES GOVERNMENT TO GUARANTEE HOLCAR PERFORMANCE BY OFFICIAL LETTER. (AMBASSADOR INTERJECTED THAT LATTER COURSE WOULD BE IMPOSSIBLE.) OTHER ALTERNATIVE WOULD BE TO COMPETE WITH OTHER INTERESTED OIL COMPANIES ON BASIS OF ENTIRELY NEW TERMS. MINISTER MAINTAINED THAT OTHERS WERE INTERESTED IN CONCESSION INCLUDING OTHER AMERICAN FIRMS.

4. HOLLEY AND CARVER SAID THAT ATTOCK OIL WOQAD BE WILLING TO
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DEPOSIT \$12 MILLION AS GUARANTEE. (LODHI LATER SAID THAT THIS STATEMENT WAS NOT CLEARED WITH HIM AND THAT HIS COMPANY WAS NOT PREPARED TO MAKE SUCH A DEPOSIT. SEE PARA 6 BELOW.)

5. AN ADDITIONAL EMOTIONAL APPEAL WAS MADE BY HOLLEY AND CARVER FOR THE OPPORTUNUNITY TO RECOVER THEIR INVESTMENTS. THIS WAS COUNTERED BY DIRECTOR SALLAT'S STATEMENT THAT ALL OIL BUSINESS WAS A GAMBLE AND THAT UNSUCCESSFUL FIRMS COULD NOT EXPECT TO BE REPAID ESPECIALLY SINCE GOQ ALSO LOST \$10 MILLION INVESTMENT AND HAD NO RESULTS. MINISTER SHAYKH ABDUL AZIZ SAID THAT HE ACTUALLY HAD NO POWER TO CHANGE A DECISION AGAINST HOLCAR SINCE HE WAS ACTING ON THE BASIS OF INSTRUCTIONS FROM HIS FATHER, THE AMIR. SHAYKH ABDUL AZIZ AT FIRST REFUSED TO REOPEN THE QUESTION WITH THE AMIR BUT LATER SAID HE WOOULD CONSIDER BRINGING IT UP AGAIN. (COMMENT: WE DO NOT EXPECT THAT THE MINISTER WILL BROACH THE SUBJECT WITH THE AMIR. WE FEEL THAT MINISTER SAID HE WOULD CONSIDER APPROACH IN ORDER TO MOVE CONVERSATION OFF THIS POINT

END COMMENT.)

6. SECOND MEETING, THAT BETWEEN AMBASSADOR AND ECON COMMERCIAL OFFICER AND HOLCAR/ATTOCK OFFICERS TOOK PLACE IN PUBLIC MEETING

ROOM IN GULF HOTEL AFTERNOON OF 7 MARCH. MEETING WAS MARKED BY COMINGS AND GOINGS AND BY HEATED EXCHANGES BETWEEN HOLLEY AND CARVER ON ONE SIDE AND ATTOCK OIL COMPANY DIRECTOR LODHI ON OTHER. LODHI ACCUSED HOLCAR PARTNERS OF MISREPRESENTING TIMING OF HOLCAR/ATTOCK AGREEMENT AND OF ATTEMPTING TO COMMIT ATTOCK TO ACTIONS BEYOND ATTOCK'S CONTRACTUAL OBLIGATIONS TO HOLCAR. SPECIFICALLY, LODHI SAID THAT THEIR AGREEMENT WITH HOLCAR (WHICH IS DESIGNED TO INJECT ADDITIONAL FUNDS IN RETURN FOR 52 PERCENT OF VENTURE EQUITY) DATED FROM NOVEMBER 1977 RATHER THAN JANUARY 1977 AS HOLCAR PARTNERS HAD TOLD MINISTER. LODHI ALSO DENIED THAT HIS COMPANY WAS PREPARED TO DEPOSIT FUNDS ON QA QATAR NATIONAL BANK AND WOULD HAVE TO TAKE UNDER CONSIDERATION EVEN A SUGGESTION OF TAKING OUT PERFORMANCE BOND. LODHI WAS ANGRY WITH HOLCAR PARTNERS AND FINALLY DEPARTED MEETING FOLLOWED
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CLOSELY BY HOLLEY WHO, ON RETURNING, SAID THAT HE HAD "CALMED DOWN/ LODHI.

7. DURING ABSENCE OF HOLLEY AND LODHI, BUT WITH HIS ATTORNEY PRESENT, CARVER TOLD AMBASSADOR AND COMMERCIAL OFFICER THAT HE FELT THAT HOLCAR'S CHANCES WERE HURT BY ANIMOSITY BETWEEN MR. ALI JAIDAH, FORMER DIRECTOR OF PETROLEUM AFFAIRS (NOW OPEC DIRECTOR GENERAL) AND CURRENT INCUMBENT ABDULLAH SALLAT. CARVER SAID THAT HOLCAR ORIGINALLY GOT ITS CONCESSION, OVER THE OBJECTIONS OF SALLAT, BY MAKING A PAYOFF TO ALI JAIDAH IN THE AMOUNT OF ONE AND ONE HALF MILLION DOLLARS WHICH CARVER SAID WAS DEPOSITED IN THE GENEVA BANK ACCOUNT OF JASSIM JAIDAH, BROTHER OF ALI JAIDAH AND MANAGER OF THE JAIDAH FAMILY COMMERCIAL INTERESTS. CARVER SAID HE HAD RECENTLY TRIED TO GET ASSISTANCE OF JAIDAH BROTHERS TO EXTEND CONCESSIONARY AGREEMENT BUT HAD BEEN REBUFFED AND TOLD TO SETTLE DIFFICULTIES WITH MINISTRY THROUGH OFFICIAL CHANNELS. CARVER THEN ASKED AMBASSADOR AND COMMERCIAL OFFICER WHO HE MIGHT PAY OFF IN THE MINISTRY TO INCREASE HOLCAR CHANCES. AMBASSADOR ADVISED CARVER NOT TO ATTEMPT PAY-OFF AND EMPHASIZED THAT EMBASSY WOULD NOT BE PARTY TO ANY SUCH ARRANGEMENT.

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8. WITH HOLLEY STILL ABSENT, CARVER SAID THAT HOLCAR COULD ARRANGE FOR A LETTER TO BE SENT FROM PRESIDENT CARTER TO THE AMIR EXPRESSING PRESIDENTIAL INTEREST IN HOLCAR OIL KEEPING ITS CONCESSIONS. CARVER ASKED AMBASSADOR AND COMMERCIAL OFFICER IF SUCH A LETTER WOULD INCREASE HOLCAR CHANCES. COMMERCIAL OFFICER STATED THAT LETTER OF THIS TYPE, IF IT WERE SENT, WOULD PROBABLY BE COUNTER PRODUCTIVE IN THAT IT WOULD APPEAR TO BE A POWER PLAY AND AN ATTEMPT TO BYPASS MINISTER. CARVER THEN SUGGESTED THAT LETTER FROM PRESIDENT TO MINISTER MIGHT BE EFFECTIVE. AMBASSADOR AND COMMERCIAL OFFICER TOLD CARVER THAT LETTER EXPRESSING THANKS FOR RECEIVING HOLCAR PARTNERS WOULD BE AS FAR AS EMBASSY WOULD BE WILLING TO FOLLOW CARVER'S PLAN AND THAT EMBASSY WOULD NOT BE ASSOCIATED WITH ANYTHING FURTHER ON THIS LINE. (HOLLEY LATER SAID THAT HE DID NOT THINK CARVER'S IDEA OF PRESIDENTIAL LETTER WAS PROPER. SEE PARA 10 BELOW.) CARVER THEN SUGGESTED THAT AMBASSADOR SEE AMIR TO EXERT EMBASSY PRESSURE TO HELP HOLCAR KEEP CONCESSION. ECON COMMERCIAL OFFICER TOLD CARVER THAT EMBASSY WOULD HAVE TO DETERMINE (BY ADDITIONAL MEETING OF ECON COMMERCIAL OFFICER WITH SALLAT, YET TO BE ARRANGED) WHETHER HOLCAR CONCESSION HAS BEEN LEGALLY TERMINATED AND, IF IT HAS BEEN TERMINATED, WHETHER OTHER U.S. FIRMS ARE UNDER CONSIDERATION OR ARE BIDDING FOR CONCESSION. ECON COMMERCIAL OFFICER TOLD CARVER AND ATTORNEY THAT IF HOLCAR CONCESSIONARY AGREEMENT WAS STILL IN EFFECT OR IF HOLCAR WAS ONLY AMERICAN CONTENDER FOR NEW CONCESSION, EMBASSY WOULD CONSIDER
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APPROACHING GOQ IN FAVOR OF HOLCAR BUT THAT ALL REGULATIONS ON ON ENDORSING COMMERCIAL FIRMS WOULD BE ENFORCED.

10. MEETING BROKE UP AFTER ECON COMMERCIAL OFFICER TOLD CARVER, HOLLEY (WHO RETURNED IMMEDIATELY BEFORE MEETING BROKE UP) AND THEIR ATTORNEY THAT ECON COMMERCIAL OFFICER WOULD SEE DIRECTOR SALLAT TO DETERMINE LEGAL POSITION OF HOLCAR'S CONCESSION AND WHETHER OTHER U.S. FIRMS IN CONTENTION. IN HOTEL LOBBY, HOLLEY, AFTER SPEAKING TO CARVER, TOLD AMBASSADOR AND ECON COMMERCIAL OFFICER THAT HE DOUBTED THAT PRESIDENTIAL LETTER WAS APPROPRIATE OR WITHIN HIS (HOLLEY'S) POWER TO ARRANGE. ONE HOUR LATER, HOLLEY TELEPHONED AMBASSADOR TO TELL HIM THAT HE

WOULD NOT ATTEMPT TO GET PRESIDENTIAL LETTER.

11. COMMENTS: (1) HOLCAR OIL COMPANY CHANCES, IN LIGHT OF FACT THAT CONTRACT PROVISIONS WERE NOT MET, ARE VERY SMALL. AMIR HAS, ACCORDING TO HIS SON, THE OIL MINISTER, DECIDED TO REMOVE CONCESSION FROM HOLCAR (AND GIVE IT TO ANOTHER UN-NAMED U.S. FIRM.). (2) CARVER IN THE PRESENCE OF HIS ATTORNEY (ALSO IDENTIFIED BY HOLLEY AS HOLCAR OIL COMPANY ATTORNEY) MADE UNSOLICITED STATEMENT THAT HE HAD PAID FORMER DIRECTOR OF PETROLEUM AFFAIRS, ALI JAIDAH, ONE AND ONE HALF MILLION DOLLARS TO SECURE CONCESSION OVER OBJECTIONS OF PRESENT DIRECTOR (THEN DEPUTY) ABDULLAH SALLAT. NO MENTION OF THIS PAY-OFF WAS MADE WHILE HOLLEY WAS PRESENT SO WE HAVE NO EVIDENCE THAT HOLLEY KNEW ABOUT OR WAS PARTY TO THIS PAY-OFF. (3) CARVER TRIED TO INVOLVE AMBASSADOR AND ECON COMMERCIAL OFFICER TO THE EXTENT OF ASKING US FOR INFORMATION CONCERNING POSSIBLE FUTURE PAY-OFF TARGETS. AGAIN, HOLLEY WAS NOT PRESENT DURING THIS ATTEMPT. AMBASSADOR AND ECON COMMERCIAL OFFICER REFUSED TO SUPPLY ANY SUCH INFORMATION AND ADVISED THAT EMBASSY WOULD IN NO WAY ASSOCIATE ITSELF WITH ANY ILLEGAL ACTS.

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12. EMBASSY ECON COMMERCIAL OFFICER WILL ATTEMPT TO ARRANGE MEETING WITH SALLAT TO DISCUSS LEGAL STANDING OF CONCESSIONARY AGREEMENT AND OTHER CONCERNED U.S. FIRMS, IF ANY. WE DO NOT REPEAT NOT PROPOSE TO TAKE ANY FUTURE ACTION ON BEHALF OF HOLCAR OIL IN LIGHT OF CARVER'S UNSOLICITED STATEMENT THAT HE HAD MADE A PAY-OFF TO THE FORMER DIRECTOR OF PETROLEUM AFFAIRS, WHICH IS AN ADMISSION OF AN ILLEGAL ACT UNDER THE LAWS OF THE STATE OF QATAR.

13. EMBASSY WELCOMES DEPARTMENT COMMENTS AND ADVICE ON HOW TO PROCEED.
KILLGORE

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Message Attributes

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